OFFICE OF THE GOVERNOR

COMMONWEALTH OF MASSACHUSETTS

STATE HOUSE ● BOSTON, MA 02133

(617) 725-4000

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

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The Honorable Orrin Hatch
Chairman of the Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member of the Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

Chairman Hatch and Ranking Member Wyden,

Massachusetts has a long tradition of designing and implementing health care reform solutions – first on a state level with our comprehensive, bipartisan state health care reform in 2006 – and later with implementation of the Affordable Care Act (ACA). As a result, more than 240,000 individuals now have health care coverage through our state marketplace, including 195,000 low to modest income residents with federal and state subsidies. An additional 300,000 non-disabled adults have health care coverage due to Medicaid expansion allowed under the ACA. Just under 97% of Massachusetts residents have health care coverage, the highest rate in the country.

As I have previously written to House Majority Leader McCarthy and the Massachusetts congressional delegation, our state believes strongly in health care coverage. Coverage provides a foundation to tackle underlying complex health care issues such as: affordability; skyrocketing drug costs; the opioid epidemic; historic segregation of behavioral and physical health care; and health disparities.

The Affordable Care Act has provided both opportunities and challenges for Massachusetts. The opportunities included further expanding coverage and receiving increased federal support for expansion. The challenges include implementing provisions that have added to state health care

complexity and cost, rather than outcomes and affordability. We believe the path forward is to build upon a strong federal and state partnership in agreeing to the goals we all share while allowing states sufficient flexibility to tailor their health care system to meet the needs and demands of their unique state.

The recently passed American Health Care Act by the House of Representatives poses a significant threat to Massachusetts, from both fiscal and health care coverage perspectives. Although there has not yet been an official CBO scoring of the House bill, there is no question that this bill would result in a substantial loss of federal revenues to the state and loss of health coverage for thousands of currently insured individuals. If this bill is enacted, thousands will lose their health care coverage in the first year, and Massachusetts will lose approximately $1 billion in revenues starting in 2020. The loss of federal revenues increases annually thereafter. Once the CBO calculation is released, we will update and share our estimated impact.

I urge the Senate not to pass any bill that threatens the loss of existing health care coverage or makes it more unaffordable for Americans. Further, given the cycle by which insurance markets make business decisions and price their products, Congress must ensure stability and a transition period over several years for any major changes to the ACA it contemplates. Instability will result in either insurance companies dropping out of the market or pricing the instability into their rates in the form of higher premiums.

Most immediately, federal cost sharing reduction payments (CSR) must be resolved affirmatively for FY2017 and 2018 in order to maintain market stability and to constrain rate increases. For Massachusetts, the market is filing its rates for plan year 2018 imminently. If CSR payments were to be halted, Massachusetts insurers specifically could be immediately liable for an estimated $63 million in unreimbursed costs for the remainder of calendar year 2017 and approximately $123 million in 2018. This will disrupt our hard earned market stability, potentially increasing 2018 premiums dramatically, causing insurers to withdraw plans and reducing access for lower income residents.

Medicaid is a federal/state partnership. Changes at the federal level must take into account the partnership and the fact that each state has developed and implemented public health care coverage that meets the unique needs of its state. A blunt instrument that significantly reduces fiscal support to states, including Massachusetts, will unravel the health care gains made to date and will derail an opportunity to resolve the underlying increasing cost drivers of escalating health care costs.

For example, Massachusetts recently spent nearly two years negotiating a new five-year Medicaid waiver with the federal government. Our provider community, health insurance plans and other stakeholders are all working diligently to implement this plan which will improve health outcomes for thousands of people in our state. Any health care reform should protect this agreement and similar agreements between states and the federal government.

As the Senate deliberates, we urge that the following be considered:

Reforming Medicaid without shifting costs to the states

1. Thirty one states plus the District of Columbia have decreased their rates of uninsured individuals by expanding Medicaid coverage for low income adults under 138% FPL. States should not be penalized for expanding coverage under the Affordable Care Act.

2. Medicaid revisions that require states to accept per capita caps and limit growth (which does not take into account high cost pharmacy growth) or block grants will have a significant negative impact on state revenues and health care coverage for low income residents.
3. Section 1115 provisions should be expanded to allow states greater flexibility to design its Medicaid program benefits, managed care delivery, pharmacy coverage, behavioral health and care for dually eligible individuals for example.
4. Medicaid coverage for non-disabled adults should be more aligned with commercial coverage. In Massachusetts, an unintended consequence of the Affordable Care Act has been a significant shift of individuals from commercial coverage to public coverage. Medicaid rules should be amended regarding individuals who have access to employer sponsored insurance.

Employer contribution to health insurance

5. States should have the flexibility to implement the mandate on employer responsibility, penalties, and reporting requirements in ways that work best for the employers and employees of their state.
6. Employers should be incentivized to maintain or provide affordable health care coverage for their employees. Employers should be allowed to establish Health Reimbursements Accounts (HRAs) and employees should be allowed to contribute pre-tax dollars to purchasing section 125 cafeteria plans, including through state based marketplaces.

Stabilizing insurance markets

7. States should be allowed to apply state specific small group rating factors and to administer existing federal small business tax credits using state specific approaches.
8. Premium assistance for marketplace coverage should account for income, and not be based exclusively on age. The House version would have a negative impact on low income older adults; this should not occur.
9. An adjustment to Advanced Premium Tax Credit (APTC) eligibility should be made to account for the cost of employer sponsored insurance for family coverage and not just for individual coverage.
10. Section 1332 provisions should be expanded to allow states greater flexibility to define benefits, rating factors and actuarial value calculators, for example.
11. Escalating pharmacy costs must be addressed in any health care reform package.

Finally, Massachusetts has gone on record as opposed to federal sanctions regarding family planning and efforts to diminish support for behavioral health and the opioid epidemic.

We look forward to working with you as this important debate continues.

Sincerely,

Charles D. Baker
Governor